



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
FRANKLIN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FRANKLIN COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Franklin County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$485,252 from the prior fiscal year, resulting in a cash surplus of \$4,271,778 as of June 30, 2001. Revenues increased by \$3,196,754 from the prior year and disbursements increased by \$4,551,136.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2001, was \$3,783,125. Future collections of \$5,706,397 are needed over the next 14 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$2,182,097 as of June 30, 2001. Future principal and interest payments of \$ 2,697,237 are needed to meet these obligations.

Fiscal Court borrowed \$5,058,785 as a short-term note to pay a legal settlement. The note is to be refinanced with general obligation bonds.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Teresa A. Barton, Franklin County Judge/Executive

Members of the Franklin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Franklin County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Franklin County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Franklin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Franklin County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Teresa A. Barton, Franklin County Judge/Executive

Members of the Franklin County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2001 on our consideration of Franklin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Franklin County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
October 16, 2001

FRANKLIN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Teresa A. Barton	County Judge/Executive
Jill Robinson	Magistrate
Phillip Kring	Magistrate
Howard Dawson	Magistrate
Ira Fannin	Magistrate
Huston Wells	Magistrate
J. W. Luttrell	Magistrate

**Other Elected Officials:**

Jim Boyd	County Attorney
James Kemper	Jailer
Guy Zeigler	County Clerk
Janice Marshall	Circuit Court Clerk
Ted Collins	Sheriff
Patsy Conway	Property Valuation Administrator
Mike Harrod	Coroner

**Appointed Personnel:**

Susan Laurenson	County Treasurer
Barbara Giles	Occupational Tax Collector
Heather Wainscott	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

FRANKLIN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 4,152,280	
Road and Bridge Fund:		
Cash	61,280	
Jail Fund:		
Cash	2,665	
Local Government Economic Assistance Fund:		
Cash	55,553	
Payroll Revolving Account - Cash	<u>25,975</u>	\$ 4,297,753

Other Resources

General Fund Type

General Fund:

Amount to be Provided in Future Years for Capital		
Lease Obligations (Note 5)		
KACoLT - Fire Department (Note 5A)	84,000	
KACoLT - Health Department (Note 5B)	44,000	
KACoLT - USDA Service Center Building (Note 5C)	214,000	
KACoLT - AOC Family Court Project (Note 5D)	1,015,097	
Courthouse Renovation (Note 5E)	825,000	
Amount to be Provided in Future Years for		
General Obligation Bonds (Note 4)	2,355,000	
Amount to be Provided in Future Years for		
Settled Litigation (Note 6)	5,158,785	
Jail Fund:		
Amounts to be Provided in Future Years for Jail Capital		
Lease Obligations - Bond Principal Payments	<u>1,428,125</u>	
Total Assets and Other Resources		<u><u>\$ 15,421,760</u></u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Litigation Claims Settled (Note 6)	\$ 5,158,785	
Capital Lease Obligations (Note 5)		
KACoLT - Fire Department (Note 5A)	84,000	
KACoLT - Health Department (Note 5B)	44,000	
KACoLT - USDA Service Center Building (Note 5E)	214,000	
KACoLT - AOC Family Court Project (Note 5D)	1,015,097	
Courthouse Renovation (Note 5C)	825,000	
General Obligation Bonds (Note 4B)	<u>2,355,000</u>	\$ 9,695,882

Jail Fund:

Capital Lease Obligation - Bond Principal Payments (Note 4A)	1,428,125
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Payroll Revolving Account	25,975
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Fund Balances

Unreserved:

General Fund Type

General Fund	\$ 4,152,280	
Road and Bridge Fund	61,280	
Jail Fund	2,665	
Local Government Economic Assistance Fund	<u>55,553</u>	<u>4,271,778</u>

Total Liabilities and Fund Balances		<u><u>\$ 15,421,760</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

FRANKLIN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 18,052,193	\$ 9,743,541	\$ 1,439,071	\$ 6,418,690
Transfers In	220,000			220,000
Borrowed Money	5,000,000	5,000,000		
Kentucky Advance Revenue Program	3,520,500	3,520,500		
Total Cash Receipts	<u>\$ 26,792,693</u>	<u>\$ 18,264,041</u>	<u>\$ 1,439,071</u>	<u>\$ 6,638,690</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 21,882,892	\$ 13,549,156	\$ 1,379,041	\$ 6,481,112
Transfers Out	220,000	220,000		
Bonds:				
Principal Paid	62,392			62,392
Interest Paid	92,534			92,534
Capital Lease Principal	529,123	529,123		
Kentucky Advance Revenue Program Repaid	3,520,500	3,520,500		
Total Cash Disbursements	<u>\$ 26,307,441</u>	<u>\$ 17,818,779</u>	<u>\$ 1,379,041</u>	<u>\$ 6,636,038</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 485,252	\$ 445,262	\$ 60,030	\$ 2,652
Cash Balance - July 1, 2000	3,786,526	3,707,018	1,250	13
Cash Balance - June 30, 2001	<u>\$ 4,271,778</u>	<u>\$ 4,152,280</u>	<u>\$ 61,280</u>	<u>\$ 2,665</u>

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

General Fund Type	
Local	
Government	Community
Economic	Development
Assistance	Block Grant
Fund	Fund
\$ 74,063	\$ 376,828
\$ 74,063	\$ 376,828
\$ 96,755	\$ 376,828
\$ 96,755	\$ 376,828
\$ (22,692)	\$
78,245	
\$ 55,553	\$ 0

The accompanying notes are an integral part of the financial statements.

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Franklin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Franklin County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Franklin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Franklin County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Franklin County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and Community Development Block Grant Fund.

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Franklin County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 4. Long-Term Debt

- A. Participation Agreement - The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$6,681,057 of revenue bonds at various interest rates of which the county has agreed to pay \$2,032,019 principal and a proportional share of interest on the issue. Revenue bonds outstanding at June 30, 2001, are \$1,428,125. Future debt service requirements follow:

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. A. Long-Term Debt (Continued)

Year	Scheduled Interest	Scheduled Principal
2002	\$ 88,453	\$ 66,348
2003	84,112	70,555
2004	79,496	75,029
2005	74,588	79,787
2006	69,368	84,846
2007	63,818	90,226
2008	57,915	95,947
2009	51,639	102,031
2010	44,964	108,501
2011	37,866	115,381
2012	30,317	122,697
2013	22,291	130,477
2014	13,755	138,751
2015	4,678	147,549
Totals	<u>\$ 723,260</u>	<u>\$ 1,428,125</u>

- B. General Obligation Bonds - In 1991, the Franklin County Fiscal Court entered into a financing arrangement with the Franklin County Industrial Development Authority to assist a new company, Webster Heating & Specialty Products, in securing financing. The Franklin County Industrial Development Authority issued General Obligation Bonds in the amount of \$3.2 million and the bond issue was guaranteed by the Franklin County Fiscal Court. Webster Heating & Specialty Products Company was to make the approximate \$30,000 bond and interest payments. However, Webster Heating & Specialty Products Company has defaulted on the bond payments and Franklin County Fiscal Court is now obligated, as the guarantor of the bonds, to pay off the bonds plus interest and penalties, if any. As of the audit date, the county had a tenant in the building which is producing enough revenue to cover approximately two-thirds of the \$30,000 monthly principal and interest payments. Bonds outstanding as of June 30, 2001 were 2,355,000. Future debt service requirements follow:

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. B. Long-Term Debt (Continued)

<u>Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 194,100	\$ 135,000
2003	182,325	150,000
2004	169,150	160,000
2005	154,913	175,000
2006	139,400	190,000
Thereafter	<u>360,124</u>	<u>1,545,000</u>
Totals	<u>\$ 1,200,012</u>	<u>\$ 2,355,000</u>

Note 5. Capital Leases

- A. The Franklin County Fiscal Court entered into a lease agreement with KACoLT for the purpose of constructing a fire station and purchasing a fire truck. The amount of the lease was \$350,000 at 4.30 percent and the closing date was June 25, 1993. The maturity date is January 20, 2003. The balance due at the June 30, 2001 was \$84,000. Future debt service requirements follow:

<u>Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 2,877	\$ 41,000
2003	<u>1,079</u>	<u>43,000</u>
Totals	<u>\$ 3,956</u>	<u>\$ 84,000</u>

- B. The Franklin County Fiscal Court entered into a lease agreement with KACoLT for the construction of a Health Department Building. The amount of the lease was \$350,000 at 6.04 percent, which was deposited into a Construction Escrow Account, and the closing date was January 9, 1992. The maturity date is January 20, 2002. The balance due at June 30, 2001, was \$44,000. Debt service requirements for fiscal year ended June 30, 2002 are:

Principal	\$ 44,000
Interest	\$ 1,296

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Capital Leases (Continued)

- C. The Franklin County Fiscal Court entered into a lease agreement with the Republic Bank & Trust Company for renovations made to the Franklin County Courthouse. The amount of the lease was \$1,200,000 at 5.27% for twelve years with payments to be made semiannually. The maturity date is December 1, 2008. The balance due at June 30, 2001, was \$825,000. Future debt service requirements follow:

Year	Scheduled Interest	Scheduled Principal
2002	\$ 41,740	\$ 85,000
2003	37,190	90,000
2004	32,380	95,000
2005	27,310	100,000
2006	21,980	105,000
Thereafter	26,263	350,000
Totals	<u>\$ 186,863</u>	<u>\$ 825,000</u>

- D. The Franklin County Fiscal Court entered into a lease agreement with KACoLT to establish a family court in the former State Journal Building. The amount of the lease was \$1,110,000 at 5.0 percent. The closing date was October 7, 1999. The maturity date is November 20, 2009. The balance due at June 30, 2001 was \$1,015,097. Future debt service requirements follow:

Year	Scheduled Interest	Scheduled Principal
2002	\$ 47,976	\$ 99,708
2003	39,430	104,757
2004	37,651	110,062
2005	32,078	115,636
2006	26,222	121,491
Thereafter	41,283	463,443
Totals	<u>\$ 224,640</u>	<u>\$ 1,015,097</u>

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Capital Leases (Continued)

- E. The Franklin County Fiscal Court entered into a lease agreement with KACoLT for the construction of a Conservation District office building. The amount of the lease was \$230,000 at 4.559 percent. The closing date was April 5, 1999. The maturity date is January 20, 2019. The balance due at June 30, 2001 was \$214,000. Future debt service requirements follow:

Year	Scheduled Interest	Scheduled Principal
2002	\$ 9,543	\$ 8,000
2003	9,162	9,000
2004	8,754	9,000
2005	8,347	9,000
2006	7,920	10,000
Thereafter	54,659	169,000
Totals	\$ 98,385	\$ 214,000

Note 6. Settled Litigation

- A. On September 29, 1997 a lawsuit was filed by Franklin County jail employees against Franklin County Fiscal Court claiming sexual harassment, retaliation, constructive discharge, and a violation of the Kentucky Whistleblowers Act. The jury verdict of October 20, 1997 establishing a judgement against the county for \$5,077,178 was in appeal as of the end of the prior year fiscal year (6/30/00). On January 8, 2001, during the current fiscal year, a settlement was reached for \$5,000,000. Fiscal Court executed a promissory note with Bank One on January 8, 2001 for \$5,058,785 representing the settlement amount and interest through the first quarter ending April 9, 2001. The maturity date was July 9, 2001 at which time additional interest of \$50,412.62 had accrued. The settlement amount of \$5,000,000 was disbursed to the escrow account of the plaintiff's attorneys on January 9, 2001. The note was modified during July 2001 and fiscal court intends to refinance. See Subsequent Event Note 8.
- B. Civil Action N. 97-35, which involved strip searches at the jail, was settled for \$6,000,000. The county paid \$100,000 in fiscal years that ended June 30, 2000 and 2001 and was required to pay \$100,000 in fiscal year 2002. This final payment was made on July 12, 2001. Franklin County's part of the settlement was a total of \$300,000. Insurance coverage will pay the remainder of the settlement. The insurance payments will be deposited into a separate fund controlled by the county and distributed per court order to all legitimate claims.

Note 7. Contingencies

There is a second suit against the county alleging strip searches at the jail. The plaintiff is seeking \$60,000.

FRANKLIN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 8. Subsequent Events

- A. Fiscal Court voted on June 1, 2001 to execute a promissory note with Bank One to pay off the long-term debt disclosed in Note 4B. The note was executed on July 3, 2001 for \$2,145,000 and the bonds were paid off that same day. The note matures on January 9, 2002 with a rate of 78% of prime. Fiscal Court intends to refinance at that time with general obligation bonds in the County's name.
- B. Fiscal Court voted on June 1, 2001 to modify the promissory note with Bank One described in Note 6A, extending the maturity date to January 9, 2002. The note was modified on July 3, 2001 with principal of \$5,300,000 representing original principal plus accrued and capitalized interest at the rate of 78% of prime. Fiscal Court intends to refinance this note upon maturity with general obligation bonds in the County's name.

Note 9. Jail Commissary Fund

The Jailer operates a Jail Commissary Fund at the Franklin County Correctional Facility. The purpose of the fund is to provide inmates with access to toiletries, candy, soft drinks, etc. The Jail Commissary Fund had a beginning balance (July 1, 2000) of \$141,446 and received \$347,414 during the fiscal year ended June 30, 2000. Expenditures during the fiscal year totaled \$338,781, leaving a balance at June 30, 2001 of \$150,079.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



FRANKLIN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 10,060,330	\$ 9,743,541	\$ (316,789)
Road and Bridge Fund	1,320,415	1,439,071	118,656
Jail Fund	6,474,300	6,418,690	(55,610)
Local Government Economic Assistance Fund	84,100	74,063	(10,037)
Community Development Block Grant Fund	<u>711,828</u>	<u>376,828</u>	<u>(335,000)</u>
Totals	<u>\$ 18,650,973</u>	<u>\$ 18,052,193</u>	<u>\$ (598,780)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 18,650,973
Add: Budgeted Prior Year Surplus	3,785,263
Add: Budgeted Borrowed Money	8,520,500
Less: Other Financing Uses	<u>(4,350,426)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 26,606,310</u>

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SCHEDULE OF OPERATING REVENUE



FRANKLIN COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 6,588,225
Excess Fees	407,760
License and Permits	110,342
Intergovernmental Revenues	4,951,802
Charges for Services	512,232
Miscellaneous Revenues	5,127,771
Interest Earned	<u>354,061</u>
Total Operating Revenue	<u><u>\$ 18,052,193</u></u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



FRANKLIN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,916,021	\$ 2,580,206	\$ 335,815
Protection to Persons and Property	4,523,442	4,354,139	169,303
General Health and Sanitation	1,202,700	1,197,432	5,268
Social Services	456,572	425,847	30,725
Recreation and Culture	83,700	83,699	1
Roads	2,124,009	1,379,321	744,688
Debt Service	180,374	309,601	(129,227)
Capital Projects	1,068,528	600,526	468,002
Administration	14,050,964	10,952,121	3,098,843
 Total Operating Budget - All General Fund Types	 \$ 26,606,310	 \$ 21,882,892	 \$ 4,723,418
 Other Financing Uses:			
Borrowed Money-			
Jail Participation Agreement-			
Principal	62,392	62,392	
Interest	92,534	92,534	
Kentucky Advanced Revenue Program - Principal	3,520,500	3,520,500	
Capital Lease Agreements-			
Principal on Lease	675,000	529,123	145,877
 TOTAL BUDGET - ALL GENERAL FUND TYPES	 \$ 30,956,736	 \$ 26,087,441	 \$ 4,869,295

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Teresa A. Barton, Franklin County Judge/Executive

Members of the Franklin County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Franklin County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 16, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 16, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Teresa A. Barton, Franklin County Judge/Executive  
Members of the Franklin County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Franklin County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Franklin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Franklin County's management. Our responsibility is to express an opinion on Franklin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Franklin County's compliance with those requirements.

In our opinion, Franklin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Franklin County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
October 16, 2001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



FRANKLIN COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants-(CFDA #14.228)*	B-97-DC21-0001 99-074	\$       828 376,000
Passed-Through Department of Military Affairs:		
Flood Disaster Recovery- (CFDA #83.516)	B-97-NU21-0004	<u>91,063</u>
Total U.S. Department of Housing and Urban Development		<u>\$   467,891</u>
<u>U.S. Department of Justice</u>		
Passed Through Department of Juvenile Justice:		
Title V- (CFDA #16.548)	1999-JP-FX-0821 2000-JP-FX-0921	\$       59,103 57,351
Passed-Through State Justice Cabinet:		
Crime Victims Assistance Program (CFDA #16.575)	6037-VC4-8/98 6253-VC4-9/00	13,220 36,214
Narcotics Control Assistance Program (CFDA #16.579)	5931-N7-1/99	14,230
Local Law Enforcement Block Grants (CFDA #16.592)	LLEB-209-1/99 LLEB-305-2/00	4,604 <u>4,500</u>
Total U.S. Department of Justice		<u>\$   189,222</u>
Total Cash Expenditures of Federal Awards		<u><u>\$   657,113</u></u>

\* Tested as a major program

FRANKLIN COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



FRANKLIN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Franklin County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Franklin County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Franklin County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Franklin County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grants-14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Franklin County was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

FRANKLIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001



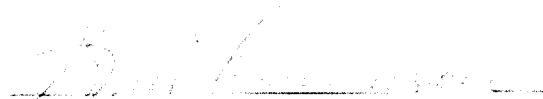
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS  
FRANKLIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Franklin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Teresa A. Barton  
County Judge/Executive



Susan Laurenson  
Treasurer